

## Information disclosure based on the TCFD recommendations

The MUGEN ESTATE Group (hereinafter “the Group” or “we”) has a corporate motto of “MUGEN” (Making Dreams Come True). It is the foundation for our approach to business management, as well as the origin of our company name. By making customers’ dreams come true, we aim to grow as a company and realize the dreams and aspirations of all people, including our stakeholders.

For this purpose, the Group has defined its mission as *Creating new value in real estate and taking on challenges to enrich the lives of all, making their dreams come true*. We have also identified five established values as the basis for actions to achieve our mission: “pursuit of speed,” “relentless challenge,” “diverse cooperation,” “foreseeing the future,” and “responsibility to see things through.” We are thus working to achieve continuous growth and to implement sustainability management.

The Group has recently agreed to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations as part of its efforts to realize a sustainable society with environmental considerations. In addition, we will understand the risks and opportunities of businesses, etc. arising from climate change and make appropriate information disclosures.



■ Core elements of recommended climate-related financial disclosures

Requests	Governance	Strategy	Risk management	Metrics and targets
Item details	Disclose the organization's governance around climate-related risks and opportunities	Disclose the impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Disclose how the organization identifies, assesses and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities

**[Governance]**

The Group has established a Sustainability Committee. Chaired by our president, its mission is to work towards the realization of a sustainable society through our business.

The committee is to meet at least twice each year. It discusses and examines the Group's sustainability issues, including climate change issues, develops an overall plan on sustainability activities, monitors their progress and assesses the state of achievements.

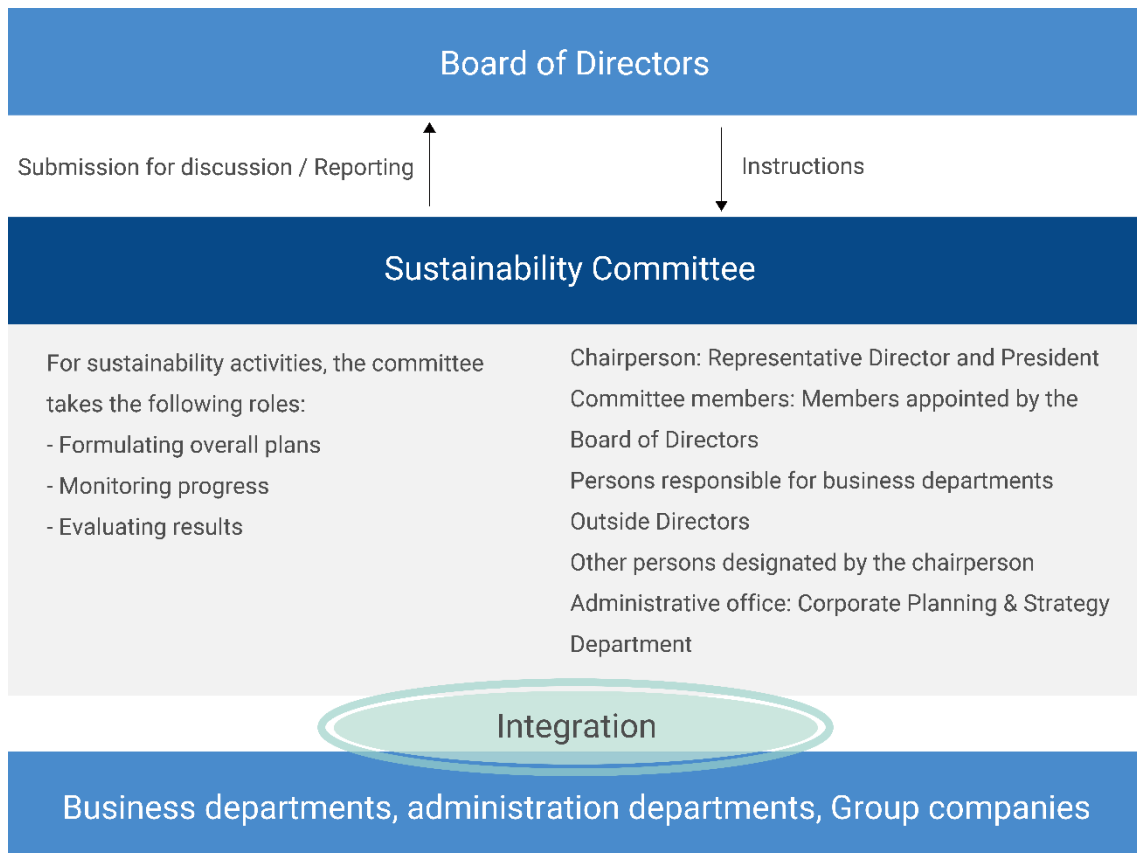
With regard to important issues and policies for addressing them discussed at the Sustainability Committee, their statuses of implementation are reported to the Board of Directors so that it will discuss them and make decisions on response actions as needed.

Role	Taken by
Chairperson	President
Committee members	Those elected by the Board of Directors, managers of business departments and outside directors * Outside experts are invited as needed.
Administrative office	Corporate Planning & Strategy Department
Date of establishment	July 2022

In fiscal 2022, the Sustainability Committee organized two meetings and discussed the agenda items stated below.

	Month	Agenda
1 <sup>st</sup> meeting	September	<ul style="list-style-type: none"> <li>• Training on ESG management</li> <li>• Report on response to the CDP</li> <li>• Governance and risk management on climate change (in compliance with the TCFD recommendations)</li> <li>• Human resources vision, development policy for human resources and human resources strategy (human capital actions)</li> </ul>
2 <sup>nd</sup> meeting	November	<ul style="list-style-type: none"> <li>• Strategy, metrics and targets on climate change (in compliance with the TCFD recommendations)</li> <li>• Agree to TCFD recommendations</li> <li>• As is-To be, measures and key performance indicators (KPIs) (human capital actions)</li> </ul>

■ Promotion structure of the Sustainability Committee



## [Strategy]

### Scenario Analysis

The TCFD recommendations include a recommendation for conducting a scenario analysis. It is an assessment of climate-derived impacts on businesses on the basis of multiple climate scenarios. For developing and studying strategies to deal with future uncertainties, we conducted a scenario analysis mentioned below.

For this scenario analysis for the first year, we conducted qualitative and quantitative studies to estimate the situation in 2050 according to two scenarios. One is the 4°C scenario, in which extreme weather will be intensified after no climate actions that surpass the current ones are taken. The other is the 1.5°C scenario, in which ambitious climate actions are implemented with a view towards decarbonization.

■ **4°C scenario** (Risks arising from transition to a carbon-free society: Minor / Physical risks of extreme weather and others: Major)

This scenario envisions an average temperature rise in the range from 3.2°C to 5.4°C (approximately 4°C) in 2100 from the industrial revolution.

No positive policies and statutory regulations for mitigating the impacts of climate change will be implemented. The intensification of extreme weather will be severe.

[Referenced scenarios] IEA Stated Policies Scenario and RCP 8.5 Scenario

■ **1.5°C scenario** (Risks arising from transition to a carbon-free society: Major / Physical risks of extreme weather and others: Minor)

This scenario envisions an average temperature rise of less than 1.5°C in 2100 from the industrial revolution.

Tougher policies and statutory regulations than the existing ones will be implemented to control climate change and to achieve carbon neutrality.

[Referenced scenarios] IEA Net Zero Emissions by 2050, Sustainable Development Scenario and RCP 2.6 Scenario

The studies estimate that climate change has a principal risk of causing floods and high tides that will bring about physical damage to properties owned in both scenarios. In the future, we will take enhanced disaster control measures, including toughening the criteria for the selection of real estate locations in consideration of hazard maps, in order to increase business resilience.

On the other hand, there are opportunities anticipated in the 1.5°C scenario. They include an increase in demand for renovation into zero emission buildings (ZEBs) and houses (ZEHs) for energy conservation and the use of renewable energy amid the transition to a carbon-free society and an increase in opportunities for business revenue linked to the rising environmental value of second-hand properties. We will continue business activities with environmental considerations to help build a carbon-free society and control climate change.

■ List of climate-related risks and opportunities estimated in the Group

Category	Sub-Category	Possible events	Estimated period of occurrence	Top: Impacts (risks and opportunities) on the Company's business Bottom: Actions	Rating of financial impacts of risks and opportunities		
					4°C scenario	1.5°C scenario	
Risks arising from transition to a carbon-free society	Policies and legal regulations	Imposition of carbon tax and carbon pricing on greenhouse gas emissions from business activities	Medium term to long term	[Impact (risk) on the Company's business] A rise in operating costs due to carbon pricing regarding Scope 1 and 2 greenhouse gas emissions from the Company's business activities [Actions] Consider replacing cars owned by the Company with electric vehicles and accelerate the shift to options for energy conservation and power derived from renewable energy for buildings to cut greenhouse gas emissions	—	Minor	
		Increase in power prices following changes in renewable energy policies and the energy mix	Medium term to long term	[Impact (risk) on the Company's business] Increase in operation costs due to rising electric power prices associated with growing demand for renewable energy [Actions] Introduce LED lighting and daylight sensors to fixed asset properties to boost energy conservation	—	Minor	
		Toughen regulations on ZEB and ZEH-M through energy conservation policies	Medium term to long term	[Impact (risk) on the Company's business] Increase in construction costs in the Development Business if regulations on the energy efficiency performance of buildings are toughened or if any obligation for energy efficiency is introduced [Actions] Obtain information on trends of environmental administration and related technologies, optimize construction costs and consider the development of properties meeting ZEB and ZEH-M requirements	—	Major	
		Change in material costs after toughening of plastic regulations and the Construction Materials Recycling Act	Medium term to long term	[Impact (risk) on the Company's business] Increase in prices of materials used for construction after toughening of regulations on resources circulation and in costs of building materials with significant environmental impacts [Actions] Consider shifting to the use of environmentally friendly materials	—	Medium	
	Technology	Advances in decarbonization technologies related to real estate and construction businesses	Medium term to long term	[Impact (risk) on the Company's business] Decrease in service demand from stakeholders in the case of failing to introduce building materials and technologies with superior environmental performance [Actions] Continue business activities with environmental considerations and implement proper disclosures	—	Minor	
	Market	Changes in customer behavior associated with the transition to a carbon-free society	Medium term to long term	[Impact (risk) on the Company's business] Decrease in demand for non-ZEH-M properties with poor environmental performance, emergence of vacant properties and decrease in rents [Actions] Develop and purchase properties with consideration given to environmental performance	—	Medium	
	Reputation	Change in reputations due to stakeholders' awareness of ESG and sustainability	Short term to long term	[Impact (risk) on the Company's business] Loss of reputation among customers and investors in the case of insufficient ESG actions, including climate actions [Actions] Continue business activities with environmental considerations and implement proper disclosures	—	Major	
	Physical risks arising from climate change	Acute	Increase in physical damage after the intensification of abnormal weather	Short term to long term	[Impact (risk) on the Company's business] Physical damage caused to the Company's facilities and assets it owns with an increase in the frequency and intensity of typhoons and high tides flooding. Occurrence of loss of earning opportunities due to suspension of operations of the Company and the supply chain. [Actions] Disclose appropriate information about the potential for physical damage to assets owned that may arise from disasters	Major	Major
		Chronic	Rise in sea water level and increase in water disaster risks	Medium term to long term	[Impact (risk) on the Company's business] Decrease in value of properties in inventories located in coastal areas and in estimated flood regions according to water damage hazard maps [Actions] Toughen criteria for the selection of real estate locations and take stronger disaster control measures for assets owned	Major	Minor
			Rise in average temperatures	Medium term to long term	[Impact (risk) on the Company's business] Increase in air conditioning costs in office operation after a rise in average temperatures Outdoor work possible for shorter durations and other negative impacts on working and construction conditions [Actions] Consider workstyles and working conditions in consideration of changes in weather patterns	Minor	Minor
Opportunities	Policies and regulations	Increase in demand for construction and properties related to decarbonization following decarbonization policies	Medium term to long term	[Impact (opportunities) on the Company's business] Increase in demand for renovations for energy conservation after a strengthening of energy conservation policies. Increase in demand for properties with excellent environmental performance (ZEB and ZEH-M) as well. [Actions] Obtain information on trends in environmental administration and related technologies, and consider introducing such technologies	Minor	Major	
	Market	Increase in demand for the Purchase and Resale Business following the transition to a carbon-free society	Medium term to long term	[Impact (opportunities) on the Company's business] Increase in demand for purchasing and resale in comparison with the construction of new real estate because of their effect of conserving resources and reducing industrial waste and greenhouse gas emissions [Actions] Develop and purchase properties with consideration given to environmental performance	Minor	Major	
	Chronic	Rise in average temperatures	Medium term to long term	[Impact (opportunities) on the Company's business] Increase in opportunities to sell properties equipped with water retention tiles that help limit rises in temperature and in demand for renovations to improve indoor thermal isolation [Actions] Propose the installation of environmentally friendly equipment at the time of constructing properties in the Purchase and Resale Business and in the Development Business	Major	Medium	

Definition of timescale: estimated period of occurrence

Item	Definition
Long Term	A specific event is expected to happen in 11 to 30 years.
Medium Term	A specific event is expected to happen in four to ten years.
Short Term	A specific event is expected to happen in zero to three years.

Definition of ratings of financial impacts

Item	Definition
Major	Financial impacts are estimated to exceed 100 million yen.
Medium	Financial impacts are expected to be within the range from over 10 million yen to 100 million yen.
Minor	Financial impacts are expected to be 10 million yen or less.

#### ■ Water disaster risks of business bases and fixed assets owned

We have assessed water disaster risks of our business bases and fixed assets we own in consideration of hazard maps created by national and local governments and other materials.

Flood risks

Recurrence interval	Inundation depth	Number of offices	Percentage
Once every 200 years	200 cm to 299 cm	1	4.5%
	Out of scope	1	4.5%
Once every 50 to 100 years	300 cm or more	5	22.7%
	200~299cm	8	36.4%
	Less than 50 cm	2	9.1%
	Out of scope	5	22.7%

High-tide flood risks

Recurrence interval	Inundation depth	Number of offices	Percentage
Once every 1,000 years	300 cm or more	3	13.6%
	200~299cm	3	13.6%
	Less than 50 cm	2	9.1%
	Below the floor	2	9.1%
	Out of scope	12	54.5%

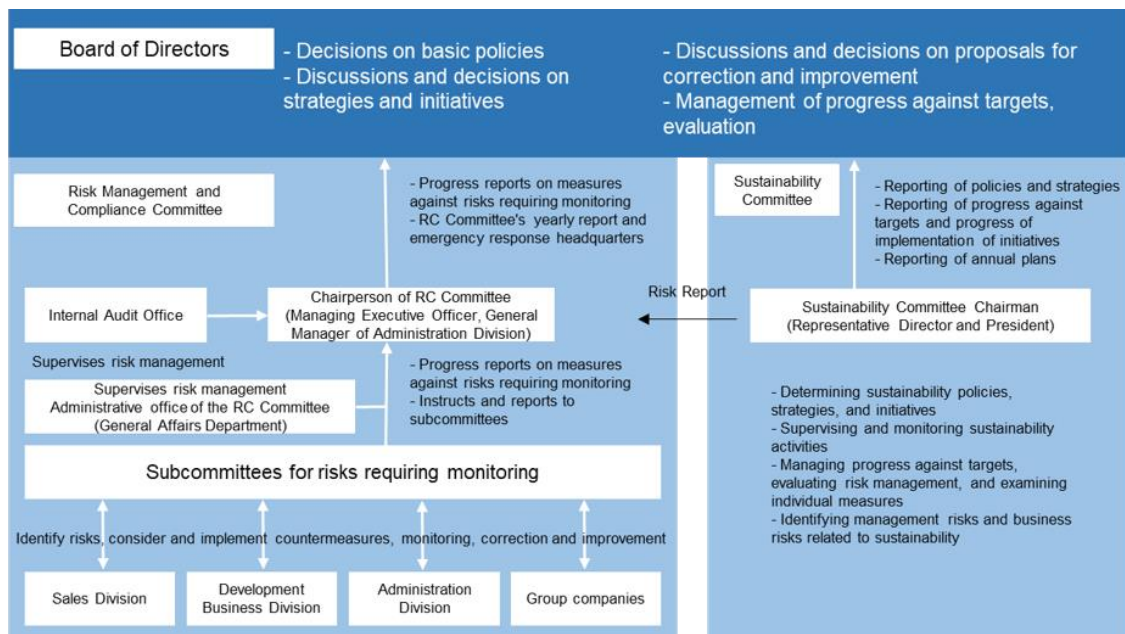
**[Risk Management]**

In formulating and executing business strategies, the Group identifies factors that impede the achievement of business objectives as risks, classifies them by the degree of impact on business management and frequency of occurrence, and determines important risks for the Group based on assessment results. When material risks become apparent, we focus on monitoring the progress of risk countermeasures, with risks that have a significant impact on our business as risks that require monitoring, and work to strengthen risk countermeasures across the Group.

In implementing our business strategies, we have established a risk management system that provides appropriate responses to prevent potential risks from occurring, and a crisis management system that minimizes losses in the event of serious risks arising.

Risks that derive from climate change are identified from individual departments by the Sustainability Committee. They are then examined both qualitatively and quantitatively and the findings are reported to the Risk Management and Compliance Committee. Thus, they are incorporated into the risk management of the entire Group.

**■ Diagram of risk management system**





**[Metrics and targets]**

The Group adopts its Scope 1 and 2 greenhouse gas emissions from its business activities as an indicator to operate its business with environmental considerations.

We have set a medium-term target of reducing emissions per unit of net sales by 46% from the FY2021 level in FY2030. We are also striving to meet a long-term target of **achieving carbon neutrality in FY2050** with reference to the targets under the Paris Agreement.

It is anticipated that business growth and the launch of new businesses will increase greenhouse gas emissions in the future. We will consider introducing renewable energy and using non-fossil certificates to accelerate the decarbonization of operations to fulfill the long-term target.

We understand that it is a significant issue to reduce Scope 3 emissions, which refer to indirect emissions from other companies. We will swiftly understand the Group’s actual emissions, study reduction approaches and set a reduction target.

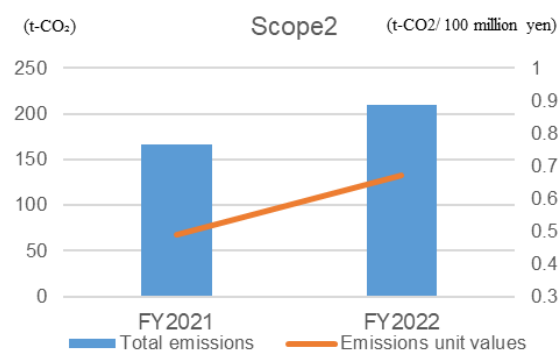
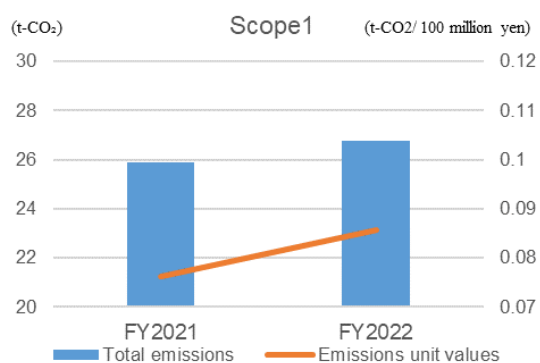
Our Scope 1 emissions in FY2022 increased slightly from the previous fiscal year. With respect to Scope 2 emissions, we shifted to procuring electric power derived from renewable energy for part of our fixed assets. Meanwhile, emissions grew from the FY2021 level following the opening of five sales offices in September 2021 and later and an increase in fixed assets. As a result, Scope 1 and 2 emissions stand at 236.4 t-CO<sub>2</sub>, up 43.7 t-CO<sub>2</sub> from FY2021.

Scope 1 emissions per unit of net sales in FY2022 surged 12.3% and scope 2 emissions per unit of net sales rose 36.6% from the previous fiscal year due to net sales shrinkage. Scope 1 and 2 emissions per unit of net sales increased 33.4%.

We will consider ways of reducing emissions in FY2023 and endeavor to attain the sales target in a bid to lower emissions per unit of net sales.

	FY2021		FY2022			Reduction target for FY2030
	Total emissions (t-CO <sub>2</sub> )	Emissions unit values (t-CO <sub>2</sub> / 100 million)	Total emissions (t-CO <sub>2</sub> )	Emissions unit values (t-CO <sub>2</sub> / 100 million)	% change from base fiscal year	
Scope1 + 2	192.7	0.5674	236.4	0.7567	33.4%	46% reduction compared to FY2021 level
Scope1	25.9	0.0763	26.8	0.0856	12.3%	
Scope2	166.8	0.4912	209.7	0.6711	36.6%	

Scope: The MUGEN ESTATE Group



\* Scope 1: Greenhouse gas emissions from fuel consumption

As for the Company, emissions resulting mainly from the use of company cars (gasoline cars) fall under this scope.

\* Scope 2: Greenhouse gas emission from electric power consumption

As for the Company, emissions from fixed assets account for at least 90% of its Scope 2 emissions.

\* Emissions factor: GHG emission per unit of net sales